Supreme Court, U.S.
FILED
MAR 2 3 2006
OFFICE OF THE CLERK

No. 05-1056

In the Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

AT&T CORP.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION

LAURA A. KASTER
AT&T CORP.
ONE AT&T WAY
BEDMINSTER, NJ 07921
(908) 532-1839

MICHAEL TRAYNOR
COOLEY GODWARD LLP
101 CALIFORNIA STREET, 5TH FL.
SAN FRANCISCO, CA 94111
(415) 693-2000

Counsel for Respondent
**Counsel of Record (will be admitted on March 27, 2006)*

STEPHEN C. NEAL*
COOLEY GODWARD LLP
FIVE PALO ALTO SQUARE
3000 EL CAMINO REAL
PALO ALTO, CA 94306
(650) 843-5000

JONATHAN G. GRAVES
NATHAN K. CUMMINGS
COOLEY GODWARD LLP
ONE FREEDOM SQUARE
RESTON TOWN CENTER
11951 FREEDOM DRIVE
RESTON, VA 20190
(703) 456-8000

Becker Gallagher Legal Publishing, Inc. 800.890.5001

COUNTERSTATEMENT OF THE QUESTIONS PRESENTED

After AT&T presented its case-in-chief to the jury, Microsoft stipulated that AT&T's pioneering '580 patent is valid and that Microsoft infringed in the United States, in part by supplying master copies of its U.S.-developed Windows operating system software to domestic computer manufacturers for assembly into the patented speech-coding apparatus. Microsoft also stipulated that it sends identical master copies of Windows to foreign computer manufacturers with the intent that those manufacturers replicate the software and assemble the identical speech-coding apparatus that Microsoft stipulated infringes AT&T's patent in the United States. The district court entered judgment for AT&T based on 35 U.S.C. § 271(a), (b), and (f) (including (f)(1) and (f)(2)). The Federal Circuit affirmed. Although section 271(f)(2) also is a ground for the judgment, Petitioner elected to exclude section 271(f)(2) from its questions presented. The section 271(f)(1) questions presented are:

1. Whether software may be a "component" of a patented invention under section 271(f)(1). *See AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366, 1369 (Fed. Cir. 2005) (Pet. App. 4a).

2. Whether software replicated abroad from a master version exported from the United States—with the intent that it be replicated—may be deemed "supplied" from the United States for the purposes of section 271(f)(1). *See id.*

PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT

There are no parties to the proceedings other than those listed in the caption.

Respondent AT&T Corp.'s parent company is AT&T, Inc., which holds 100% of the stock of AT&T Corp.

TABLE OF CONTENTS

Counterstatement of the Questions Presented i

Parties to the Proceedings and Rule 29.6 Statement . . . ii

Table of Contents iii

Table of Authorities v

Summary of Reasons to Deny the Petition 1

Statement of the Case 2

A. The Invention of the '580 Patent 2

B. Microsoft's Distribution of Infringing Software . 3

C. Proceedings Below 4

Reasons for Denying the Petition 7

I. The Court Already Concluded This Term That the Questions Presented Do Not Merit Review 7

II. There is No Inter- or Intracircuit Split on the Questions Presented 8

III. The Federal Circuit's Decision Was Correct 10

A. The Federal Circuit's Decision Is in Harmony with Long Standing Patent Jurisprudence That Software Can Be a Component of a Patented Invention or an Infringing Device 11

B. The Federal Circuit Properly Read and Applied the Statute to the Stipulated Facts 13

1. The Federal Circuit Properly Construed "Components" to Include Software Components 13

2. The Federal Circuit Properly Construed "Supplied" to Include the Supply of Software Abroad 17

3. The Federal Circuit's Decision Does Not Expand the Extraterritorial Reach of U.S. Patent Laws 20

4. Congress Recently Rejected Proposals to Limit Section 271(f) as Petitioner Requests 22

IV. The Judgment Below Is Also Based on Section 271(f)(2), an Alternate Ground That Petitioner Elected to Exclude from Its Questions Presented 23

V. Petitioner Misstates the Impact of the Decision Below 25

Conclusion 27

TABLE OF AUTHORITIES

Cases

In re Alappat,
33 F.3d 1526 (Fed. Cir. 1994) 11, 12, 13, 16

AT&T Corp. v. Microsoft Corp., No. 01CV4872,
2004 WL 406640 (S.D.N.Y. Mar. 5, 2004),
aff'd, 414 F.3d 1366 (Fed. Cir.),
reh'g and reh'g en banc denied
(Fed. Cir. 2005) 8-9, 21, 22

Bayer AG v. Housey Pharmaceuticals, Inc.,
340 F.3d 1367 (Fed. Cir. 2003) 9, 10

Bennett v. Spear,
520 U.S. 154 (1997) 19

In re Bernhart,
417 F.2d 1395 (C.C.P.A. 1969) 11, 12, 13, 16

Blum v. Bacon,
457 U.S. 132 (1982) 24

Burr v. Duryee,
68 U.S. 531 (1863) 12, 13

C.L. Maddox, Inc. v. Benham Group, Inc.,
88 F.3d 592 (8th Cir. 1996) 17

In re Comstock,
481 F.2d 905 (C.C.P.A. 1973) 12, 13

Deepsouth Packing Co. v. Laitram Corp.,
406 U.S. 518 (1972) 6, 15, 20, 26, 27

Diamond v. Chakrabarty,
447 U.S. 303 (1980) 15

Diamond v. Diehr,
450 U.S. 175 (1981) 11, 12, 14, 15, 16

Eolas Technologies, Inc. v. Microsoft Corp., No. 99 C 0626,
2004 WL 170334 (N.D. Ill. Jan 15, 2004) 9

Eolas Technologies, Inc. v. Microsoft Corp.,
274 F. Supp. 2d 972 (N.D. Ill. 2004),
aff'd, 399 F.3d 1325 (Fed. Cir.),
reh'g and reh'g en banc denied, cert. denied,
126 S. Ct. 568 (2005) 9

Eolas Technologies, Inc. v. Microsoft Corp.,
399 F.3d 1325 (Fed. Cir. 2005),
reh'g and reh'g en banc denied, cert. denied,
126 S. Ct. 568 (2005) . . . . . *passim*

Haggar Co. v. Helvering,
308 U.S. 389 (1940) 6

In re Hayes Microcomputer Products, Inc.
Patent Litigation,
982 F.2d 1527 (Fed. Cir. 1992) 11

Herman & MacLean v. Huddleston,
459 U.S. 375 (1983) 8, 22

Imagexpo, L.L.C. v. Microsoft Corp., No. 02CV751,
2003 WL 23147556 (E.D. Va. Aug. 19, 2003) 9

Information Communications Corp. v. Unisys Corp.,
181 F.3d 629 (5th Cir. 1999) 17

Izumi Seimitsu Kogyo Kabushiki Kaisha v.
U.S. Phillips Corp.,
510 U.S. 27 (1993) 25

In re Knowlton,
481 F.2d 1357 (C.C.P.A. 1973) 12, 13

In re Lowry,
32 F.3d 1579 (Fed. Cir. 1994) 12, 16

Micro Chemical, Inc. v. Lextron Inc.,
317 F.3d 1387 (Fed. Cir. 2003) 17

Microsoft Corp. v. Commissioner,
311 F.3d 1178 (9th Cir. 2002) 19, 26

Microsoft Corp. v. Eolas Technologies, Inc.,
Case No. 05-288 (Oct. 31, 2005) 7

Miles v. Apex Marine Corp.,
498 U.S. 19 (1990) 13

Mills v. Rogers,
457 U.S. 291 (1982) 24

Network, LLC v. Centraal Corp.,
242 F.3d 1347 (Fed. Cir. 2001) 14

NTP, Inc. v. Research In Motion, Ltd.,
261 F. Supp. 2d 423 (E.D. Va. 2002),
aff'd on different grounds,
418 F.3d 1282 (Fed. Cir. 2005),
reh'g and reh'g en banc denied, cert. denied,
126 S. Ct. 1174 (2006) 9

Paper Converting Machine Co. v. Magna-Graphics Corp.,
745 F.2d 11 (Fed. Cir. 1984) 21

Pellegrini v. Analog Devices, Inc.,
375 F.3d 1113 (Fed. Cir.),
cert. denied, 543 U.S. 1003 (2004) 9, 16

In re Prater,
415 F.2d 1393 (C.C.P.A. 1969) 11, 13

Response of Carolina, Inc. v. Leasco Response, Inc.,
537 F.2d 1307 (5th Cir. 1976) 14

Rotec Industries, Inc. v. Mitsubishi Corp.,
215 F.3d 1246 (Fed. Cir. 2000) 9, 10

Southwest Software, Inc. v. Harlequin Inc.,
226 F.3d 1280 (Fed. Cir. 2000) 12, 16

State Street Bank & Trust Co. v. Signature Financial Group, Inc.,
149 F.3d 1368 (Fed. Cir. 1998) 13

Tcherepnin v. Knight, 389 U.S. 332 (1967) 7

Union Carbide Chemicals & Plastic Technology Corp. v. Shell Oil Co.,
434 F.3d 1357 (Fed. Cir. 2006) 9, 10

United States v. Dubilier Condenser Corp.,
289 U.S. 178 (1933) 15

Waymark Corp. v. Porta Systems Corp.,
245 F.3d 1364 (Fed. Cir. 2001) 21

Williams v. Taylor,
529 U.S. 420 (2000) 6

Yee v. Escondido,
503 U.S. 519 (1992) 24

Constitutional Provision

U.S. Const. art. I, § 8 26

Statutes

26 U.S.C. § 927(a)(2)(B) 19

35 U.S.C. § 271(a) 4

35 U.S.C. § 271(b) 4

35 U.S.C. § 271(f) . . . . . *passim*

35 U.S.C. § 271(f)(1) . . . . . *passim*

35 U.S.C. § 271(f)(2) . . . . . *passim*

35 U.S.C. § 271(g) 10

Rules

Sup. Ct. R. 14.1(a) 24

Sup. Ct. R. 15.2 23

Other Authorities

American Bar Association Section of Intellectual Property Law, *A Section White Paper: Agenda for 21st Century Patent Reform*
(Sept. 16, 2005) 20, 22, 26

American Heritage Dictionary 302
(2d coll. ed. 1991) 14, 17

American Jobs Creation Act of 2004,
Pub. L. No. 108-357, 118 Stat. 1418 (2004) . . 19, 26

Manual of Patent Examining Procedure
§ 2106 . . . . . 12, 14

Microsoft Computer Dictionary (5th ed. 2002) . . . 14, 16

Patent Law Amendments Act of 1984, H.R. 6286,
130 Cong. Rec. 28069 (Oct. 1, 1984) 7, 15, 26

Patent Quality and Improvement: Hearing Before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Comm. on the Judiciary,
109th Cong. (2005) 22

Patent Reform Act of 2005, H.R. 2795,
109th Cong. (2005) 22

S. Rep. No. 98-663 (1984) 15, 18, 26

Staff of H. Comm. on the Judiciary, 109th Cong.,
Patent Act of 2005 § 10 (Comm. Print 2005) 22

BRIEF IN OPPOSITION

SUMMARY OF REASONS TO DENY THE PETITION

The Court recently denied Microsoft's certiorari petition in a case presenting the identical issue of liability for patent infringement under 35 U.S.C. § 271(f) based on conduct in the U.S. In this case, Microsoft stipulated that it infringed AT&T's valid patent in the U.S. based on Microsoft's supply of software to domestic computer manufacturers for replication and loading into infringing devices. Microsoft's liability under section 271(f)(1) is based on identical conduct: Microsoft's supply of the same software to foreign computer manufacturers with the intent that it be replicated and loaded into the same devices that Microsoft admits infringe when assembled in the United States. Developments since the denial of certiorari in the *Eolas* case make Microsoft's Petition in this case even weaker because recent legislative activity suggests Congress has ratified the result in both cases by rejecting the attempts of Microsoft and others to amend the statute. Microsoft's Petition should also be denied because there is no conflict among the Circuits or within the decisions of the Federal Circuit. Furthermore, the Federal Circuit reached the correct result. The court's construction does not expand the extraterritorial reach of U.S. patent laws, but instead appropriately focuses on the activities of Microsoft as a domestic supplier. Finally, the judgment below rests on an alternative ground that Petitioner elected to exclude from its questions presented. The Court should therefore deny Microsoft's Petition because the case does not qualify for or otherwise merit review in this Court.

STATEMENT OF THE CASE

A. The Invention of the '580 Patent.

In 1981, Bishnu Atal and Joel Remde, two scientists at Bell Telephone Laboratories, invented a pioneering advance in digital speech compression, which is disclosed and claimed in U.S. Patent Re 32,580. Their breakthrough greatly enhanced the sound quality of synthesized speech while maintaining high data compression. Ct. App. JA 711.

From the outset, the implementation of the invention has required a machine, such as a computer *programmed by software*, to perform the patented speech coding and decoding operations. Ct. App. JA 493-94. Dr. Atal included as appendices to the '580 patent excerpts of the implementing software program he wrote. '580 patent appendices A-D (Ct. App. JA 104-108). The patent expressly teaches the use of this software to carry out the speech-coding operations essential to the invention. *See* '580 patent col.5, ln.68-col.6, ln.9; col.8, ll.37-40 (Ct. App. JA 102-103).

Although at the time of the invention it could be implemented only by using very large supercomputers, dramatic improvements in microprocessors in the 1990s enabled widespread implementation of the invention via software running on personal computers and microprocessor chips. During that period, the invention was adopted by international telecommunications organizations for important industry standards, and was widely licensed by AT&T to numerous third parties and used in numerous products. Ct. App. JA 708, 1033-43. The '580 patent is recognized as a seminal technology employed today in mobile telephones,

personal computers, videoconferencing services and products that operate over the Internet, all using software programs to achieve significant compression and high-quality reproduction of speech. It is not merely "one of the thousands of unexploited patents comprising the modern 'patent thicket'" as Petitioner contends. Pet. at 20. To the contrary, the '580 patent is a technological breakthrough that has been widely praised; Dr. Atal has received numerous prestigious awards attributed to the invention. Ct. App. JA 509-10.

B. Microsoft's Distribution of Infringing Software.

It is undisputed that Microsoft conceives of, writes, compiles, tests, debugs, and creates a master version of its flagship Windows operating system software in Redmond, Washington. Pet. App. 45a. The Windows software is assembled and becomes operational in its final form in the United States. Microsoft supplies the Windows software to foreign and domestic computer manufacturers on so-called "golden master" disks or via electronic transmissions. The computer manufacturers then use these master versions to install the Windows software into the computer products that they manufacture. Pet. App. 45a-46a. As a result, the same software code—the same "zeros and ones" created in the U.S. by Microsoft programmers—is assembled on foreign computers in the very same manner as it is on domestic computers.

Although others in the industry licensed AT&T's patented technology on reasonable and non-discriminatory terms, Microsoft refused to obtain a license. Ct. App. JA 1044-1052. Without authorization, Microsoft incorporated into Windows certain speech-coding software (known as "codecs") that use the invention of the '580 patent. After licensing

discussions broke down, AT&T filed suit against Microsoft for infringing the '580 patent. *See id.*

C. Proceedings Below.

At trial, after AT&T presented its case-in-chief to the jury, Microsoft stipulated to infringement under 35 U.S.C. § 271(a) (direct infringement within the United States) and 271(b) (active inducement of infringement), and to the validity and enforceability of the '580 patent. Pet. App. 42a. Microsoft's stipulated infringement and inducement in the U.S. was based in part on its supply of Windows software (including the infringing codecs) on golden master disks and via electronic transmissions to U.S. computer manufacturers, who then installed the same Windows software onto computers to create fully assembled, infringing systems.

AT&T also claimed that Microsoft infringed under section 271(f), which includes both (f)(1) and (f)(2). *See* Pet. App. 24a, 25a-27a. Microsoft's liability under those sections was premised on the same conduct Microsoft admitted infringed under sections 271(a) and (b). Microsoft supplies its Windows software products to foreign computer manufacturers on golden master disks and through electronic transmissions, with the intent that those manufacturers install the Windows software onto computers to create fully assembled systems. Microsoft moved for partial summary judgment of non-infringement under section 271(f).

The district court denied Microsoft's motion. Relying on established patent jurisprudence and the text and legislative history of section 271(f), the court rejected Microsoft's argument that its software is intangible and therefore cannot be a "component" under section 271(f). Pet. App. 29a-35a. The district court also rejected Microsoft's contention that a

foreign-replicated copy of the infringing software does not constitute a component supplied from the United States, based on Microsoft's stipulation that it supplies the software with the intent that an exact copy of the U.S.-manufactured software be incorporated into foreign-assembled computers. Pet. App. 35a-37a. Microsoft's counsel also admitted to the district court that sending a separate Windows CD abroad for every computer to be assembled would infringe under section 271(f). Pet. App. 36a n.7. Accordingly, the district court held, based on the stipulated facts, that Microsoft infringed the '580 patent under section 271(f), including both (f)(1) and (f)(2). Pet. App. 20a-38a, 42a-43a.

The United States Court of Appeals for the Federal Circuit affirmed the district court's judgment under section 271(f). Relying on *Eolas Technologies, Inc. v. Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005), *reh'g and reh'g en banc denied, cert. denied*, 126 S. Ct. 568 (2005), the panel unanimously agreed that software may be a "component" of a patented invention under section 271(f). Pet. App. 4a & 11a. It also ruled, by a 2-1 majority, that software replicated abroad from a master version of the software developed in and exported from the United States—with the intent that the software be replicated—may be deemed "supplied" from the United States for the purposes of section 271(f).[1]

---

[1] Although the opinion states that the "supplied from the United States" issue was one of first impression, it had been previously briefed and argued to the Federal Circuit in *Eolas* and, based on facts identical to those here (supply of Windows software to foreign computer manufacturers for assembly abroad), the court affirmed the judgment under section 271(f). *Eolas*, 399 F.3d at 1339 ("Exact duplicates of the software code on the golden master disk are incorporated as an operating element of the ultimate device."); *see also id.* at 1340-41; Microsoft *Eolas* Appeal Br. at 28, 62-63;

Because Congress did not define the word "supplied" in section 271(f), the court looked to the ordinary, contemporary and common meaning of the term. Pet. App. 6a (quoting *Williams v. Taylor*, 529 U.S. 420, 431 (2000)). Given the nature of the technology, the court concluded that copying is part and parcel of software distribution. It emphasized that Microsoft has taken advantage of the replicable nature of software to distribute its software efficiently. Rather than supply a separate disk for each copy of the software supplied—thus incurring extra material, shipping and storage costs—Microsoft supplies a single master disk that is intended to be replicated easily. In light of the undisputed and stipulated facts and the admissions of Microsoft's counsel, the court reasoned that Microsoft's competing interpretation is incorrect because it would permit liability only when the party acts in an unrealistic manner (namely, supplying the software in a more expensive, labor intensive way). Pet. App. 7a (citing *Haggar Co. v. Helvering*, 308 U.S. 389, 394 (1940)).

The court also examined the legislative history and concluded that its interpretation comports with Congress's purpose in enacting section 271(f). Pet. App. 8a. Congress enacted section 271(f) in response to *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), which exposed a loophole in section 271 that allowed potential infringers to avoid liability by manufacturing the components of patented products in the United States and then shipping them abroad for assembl Congress concluded that, without this "housekeeping-oriented" measure, "the patent system would

---

Eolas Opp. Appeal Br. at 12, 58, 60-61. Microsoft previously admitted to this Court that the decision in *Eolas* necessarily decided this issue. Microsoft *Eolas* Cert. Pet. at 8-9 n.2 (Case No. 05-288).

not be responsive to the challenges of a changing world and the public would not benefit from the release of creative genius." Pet. App. 9a (quoting Patent Law Amendments Act of 1984, H.R. 6286, 130 Cong. Rec. 28069 (Oct. 1, 1984)). The court concluded that section 271(f) is a remedial measure that should be construed broadly to effectuate its purposes. *Id.* (citing *Tcherepnin v. Knight*, 389 U.S. 332, 336 (1967)).

The court also reasoned that Microsoft's interpretation would subvert the remedial purpose of the statute by allowing advances in technology to be used to maintain a loophole that the statute was intended to close. Pet. App. 9a-10a. The court concluded that sending a single copy of a software component abroad with the intent that it be replicated creates liability under section 271(f) for those copies. The panel thereafter denied without comment Microsoft's petition for rehearing, and the full court denied without comment Microsoft's petition for rehearing en banc. Pet. App. 39a-40a.

REASONS FOR DENYING THE PETITION

I. The Court Already Concluded This Term That the Questions Presented Do Not Merit Review.

The Court recently denied a certiorari petition in which Microsoft presented the identical issue it raises here. *Microsoft Corp. v. Eolas Techns., Inc.*, Case No. 05-288 (Oct. 31, 2005). In its petition in *Eolas*, Microsoft stated that "*AT&T v. Microsoft* involves the identical issue presented here. ... In both [*Eolas*] and *AT&T*, the Federal Circuit determined that a foreign-made and sold computer that has been programmed with the Windows software code includes

a 'component' that was 'supplied' from the United States and 'combined' with other components to produce the final product within the meaning of § 271(f)." Microsoft *Eolas* Cert. Pet. at 8-9 n.2; *see also id.* at i (question presented). Because the operative facts and legal conclusions relating to section 271(f) are identical in both decisions, this case presents no better a vehicle for review than did *Eolas*.[2] Indeed, given Congress's recent refusal to limit section 271(f) as Microsoft urges (*see infra* p. 21), the justifications for granting Microsoft's present Petition are even weaker now than when Microsoft presented them in *Eolas*. *See Herman & MacLean v. Huddleston*, 459 U.S. 375, 385-86 (1983) (decision by Congress to leave a provision intact suggests that it has ratified the interpretation). The Court's recent decision in *Eolas* not to review this issue was correct.

II. There is No Inter- or Intracircuit Split on the Questions Presented.

The questions presented are purely issues of patent law. Petitioner does not and cannot allege any intercircuit conflicts, because the Federal Circuit has exclusive jurisdiction over the interpretation and application of the patent laws. Moreover, there was never any intercourt conflict about these questions; every court that has considered the issues has reached the same conclusion that the Federal Circuit reached here and in *Eolas*. *See AT&T Corp. v. Microsoft Corp.*, No. 01CV4872,

---

[2] Microsoft's attempts to distinguish its petition in *Eolas* are unavailing. Pet. at 29-30. Microsoft does not explain why the Federal Circuit's remand for further proceedings on issues of anticipation, inequitable conduct and prior art defenses rendered *Eolas* ill-suited to address the scope of infringement and damages under section 271(f). *Id.* at 29. In fact, Microsoft argued to the contrary in *Eolas*. Microsoft *Eolas* Cert. Reply Br. at 2-3.

2004 WL 406640 (S.D.N.Y. Mar. 5, 2004), *aff'd*, 414 F.3d 1366 (Fed. Cir.), *reh'g and reh'g en banc denied* (Fed. Cir. 2005); *Eolas Techs. Inc. v. Microsoft Corp.*, 274 F. Supp. 2d 972 (N.D. Ill. 2004), *aff'd*, 399 F.3d 1325 (Fed. Cir.), *reh'g and reh'g en banc denied*, *cert. denied*, 126 S. Ct. 568 (2005); *Eolas Techs. Inc. v. Microsoft Corp.*, No. 99 C 0626, 2004 WL 170334 (N.D. Ill. Jan 15, 2004); *Imagexpo, L.L.C. v. Microsoft Corp.*, No. 02CV751, 2003 WL 23147556 (E.D. Va. Aug. 19, 2003); *NTP, Inc. v. Research In Motion, Ltd.*, 261 F. Supp. 2d 423, 431 (E.D. Va. 2002), *aff'd on different grounds*, 418 F.3d 1282 (Fed. Cir. 2005), *reh'g and reh'g en banc denied*, *cert. denied*, 126 S. Ct. 1174 (2006). The courts have been clear, consistent, and predictable in their application of section 271(f) to software, and there is no need for the Court to exercise its discretionary jurisdiction.

Nor can certiorari be justified on the basis that the decisions below conflict with prior Federal Circuit precedent, because no such conflict exists. Petitioner's effort to manufacture such a conflict rests primarily on *Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113 (Fed. Cir.), *cert. denied*, 543 U.S. 1003 (2004). Microsoft raised this argument below, and both the *Eolas* and *AT&T* panels correctly distinguished *Pellegrini*. Pet. App. 7a-8a; *Eolas*, 399 F.3d at 1340-41. The nature of the shipping "instructions" (to people) at issue in *Pellegrini* is fundamentally different from software instructions (for computers) that cause the computers to act as special purpose and infringing machines. *See Pellegrini*, 375 F.3d at 1118 (holding that instructions to people and corporate oversight are not "components" under section 271(f)).

Petitioner's citations to *Bayer*, *Rotec* and the dissent in *Union Carbide* (Pet. at 11, 15, 17 & 19 n.3) also fail to identify any conflicts among Federal Circuit decisions. In

Bayer AG v. Housey Pharmaceuticals, Inc., 340 F.3d 1367, 1368-69 (Fed. Cir. 2003), the court held that importing information about the properties of a substance does not infringe section 271(g). Nevertheless, information about a substance's properties is fundamentally different from the computer software at issue here and in *Eolas* that causes computers to function in a specific manner. In *Rotec Industries, Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1257-58 (Fed. Cir. 2000), the patentee admitted that none of the construction equipment components were manufactured in the United States, and the court rejected patentee's argument that an "offer to supply" foreign components infringes under section 271(f). Here, by contrast, it is undisputed that Microsoft wrote, compiled, tested, debugged, and created the Windows software in, and exported that software from, the United States. Finally, in *Union Carbide Chemicals & Plastic Technology Corp. v. Shell Oil Co.*, 434 F.3d 1357, 1358 (Fed. Cir. 2006), the court denied a petition to rehear en banc whether section 271(f) applies to process inventions. Petitioner's attempt to depict Judge Lourie's dissent as rethinking the opinion he authored below (Pet. at 11, 15) is misleading. Judge Lourie explicitly noted that the inventions in *Eolas* and *AT&T* were apparatus inventions, whereas the inventions in *Union Carbide* were methods and processes. 434 F.3d at 1358. Microsoft has simply failed to show the decision below to be in conflict with any other cases applying or interpreting the patent statute.

III. The Federal Circuit's Decision Was Correct.

This Court should deny Microsoft's Petition because the Federal Circuit correctly applied section 271(f) and binding patent-law precedent to the facts of this case.

A. The Federal Circuit's Decision Is in Harmony with Long Standing Patent Jurisprudence That Software Can Be a Component of a Patented Invention or an Infringing Device.

Microsoft's Petition is devoid of citations to any judicial authority holding that software is intangible and cannot be a component of a patented invention. In fact, Microsoft's position conflicts with thirty years of patent jurisprudence, business practices in the software industry, and Microsoft's own patent portfolio. In contrast, the Federal Circuit's decisions here and in *Eolas* are entirely consistent with precedent, Patent Office procedures and policy, and industry practices.

Long standing patent jurisprudence holds that software may be a component of a patented invention. This Court held in *Diamond v. Diehr*, 450 U.S. 175, 187 (1981), that a patent claim may be drawn to statutory subject matter even if it uses a computer program. *See also In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994) (holding that "a computer operating pursuant to software may represent patentable subject matter"). In fact, a general-purpose computer is nothing more than a "storeroom of parts and/or electrical components" until the computer is programmed; but once the software is introduced, the "commoditized" parts become a special-purpose computer that may be patented. *In re Prater*, 415 F.2d 1393, 1403 n.29 (C.C.P.A. 1969). When such a machine is programmed, it is physically different from the machine without the program; if the software programs the machine in a new and nonobvious way, then the programmed machine is patentable. *In re Bernhart*, 417 F.2d 1395, 1500 (C.C.P.A. 1969); *see also In re Hayes Microcomputer Prods., Inc. Patent Litig.*, 982 F.2d 1527 (Fed. Cir. 1992) (affirming judgment of infringement by devices programmed

to practice the invention). Software may also be the structure corresponding to means-plus-function limitations in a patent claim. *See In re Knowlton*, 481 F.2d 1357, 1368 (C.C.P.A. 1973); *In re Comstock*, 481 F.2d 905, 908-09 (C.C.P.A. 1973).

The procedures of the Patent Office are in complete accord with this case law. The Manual of Patent Examining Procedure (MPEP) notes that computer programs are often recited as part of a patent claim. If the computer program being claimed is part of an otherwise patentable machine, the claim is patentable. MPEP § 2106 at 2100-13 (8th ed. 2003).

Several of the cases cited above explicitly rejected the notion that software is intangible and unpatentable. *See, e.g.*, *In re Alappat*, 33 F.3d at 1545 (rejecting the contention that software running on a computer transforms the computer from a machine into a mathematical algorithm) (citing *Diehr*, 450 U.S. at 187); *In re Lowry*, 32 F.3d 1579, 1583 (Fed. Cir. 1994) (rejecting the contention that software data structures are intangible information, and instead holding they are "the essence of electronic structure"); *In re Bernhart*, 417 F.2d 1395 (reversing a rejection of apparatus claims based, in part, on the rationale that a computer is structurally the same with or without its software). *See also Southwest Software, Inc. v. Harlequin Inc.*, 226 F.3d 1280, 1283, 1288 (Fed. Cir. 2000) (noting that the software accused of infringing under section 271(f) was a "device").

This Court long ago recognized that, under patent law, a machine is "a concrete thing, consisting of parts, or of certain devices and combination of devices." *Burr v. Duryee*, 68 U.S. 531, 570 (1863). The Court stressed that a particular machine is defined by its mode of operation, or "that peculiar combination of devices which distinguish it from other

machines." *Id.* The cases cited above demonstrate that computer software may be a device—indeed, perhaps the *only* device—that distinguishes a patented invention from a general-purpose computer. *See, e.g., In re Alappat*, 33 F.3d at 1545; *In re Bernhart*, 417 F.2d at 1399 (stating that the claims recite, and can be infringed only by, a computer programmed to carry out the recited routine); *In re Knowlton*, 481 F.2d at 1368; *In re Comstock*, 481 F.2d at 908-09; *In re Prater*, 415 F.2d at 1403 n.29; *see also State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1375 (Fed. Cir. 1998). It logically follows that the distinguishing device—the software—must be a component of that patented invention. *See Burr*, 68 U.S. at 570.

B. The Federal Circuit Properly Read and Applied the Statute to the Stipulated Facts.

1. The Federal Circuit Properly Construed "Components" to Include Software Components.

a. The Federal Circuit's decisions in *Eolas* and *AT&T* properly construe section 271(f). As shown above, the courts consistently held that software programs can be a component of patented inventions long before Congress enacted section 271(f). As a matter of law, Congress is presumed to have known of this judicial authority when it included the language "component of a patented invention" in section 271(f). *See Miles v. Apex Marine Corp.*, 498 U.S. 19, 32 (1990) ("We assume that Congress is aware of existing law when it passes legislation."). In light of this authority, it would have been strange if software were *not* covered by section 271(f).

Moreover, because Congress did not specifically define the word "component," the Federal Circuit appropriately

gave the term its ordinary, contemporary and common meaning. *Diehr*, 450 U.S. at 182. Nothing in the ordinary meaning of "component" limits the term to exclude software. *See, e.g.*, American Heritage Dictionary 302 (2d coll. ed. 1991) (defining "component" as "part of a mechanical or electrical complex"); Microsoft Computer Dictionary 116 (5th ed. 2002) (defining "component" as a "discrete part of a larger system or structure" and an "individual modular software routine that has been compiled and dynamically linked, and is ready to use with other components or programs"). And with respect to software in particular, it is ordinary usage of the courts, the Patent Office and the industry to refer to software as a "component" of a computer system. *See, e.g., Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1351 (Fed. Cir. 2001) (patent claim describes "computers" and their "software components"); *Response of Carolina, Inc. v. Leasco Response, Inc.*, 537 F.2d 1307, 1326 (5th Cir. 1976) ("The final component of the computer system is the application software."); MPEP § 2106.01 at 2100-24 (discussing elements "at least partially comprised of a computer software component"); *id.* § 2106.02 at 2100-25 (discussing "systems which include a computer as well as other hardware and/or software components").

Ironically, even Microsoft's directions for using the golden master disks refer to software as "components" to be installed during computer assembly. Ct. App. JA 1677, 1681, 1712. Indeed, Petitioner itself has obtained numerous patents that include software as a "component" of the invention. *See, e.g.*, U.S. Patent No. 6,738,773 col.5 ll.43-47 (filed May 1, 2000) (Ct. App. JA 1838); U.S. Patent No. 6,727,917 col.3 ll.7-14 (filed May 4, 2000) (Ct. App. JA 1851); U.S. Patent No. 6,725,262 col.5 ll.23-28 (filed Apr. 27, 2000) (Ct. App. JA 1863).

This Court has "more than once cautioned that courts should not read into the patent laws limitations and conditions which the legislature has not expressed." *Diehr*, 450 U.S. at 182 (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980) and *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199 (1933)). There is simply nothing in the language of section 271(f) that can support excluding software from the definition of "component." In fact, there is nothing in the statute that suggests Congress intended to exclude any type of component whatsoever. To the contrary, subsection (f)(2) explicitly states that "any" component is covered by the statute. The use of the comprehensive term "any" reflects Congress's intent not to place any restrictions on the types of components subject to the statute. *See Chakrabarty*, 447 U.S. at 308 ("In choosing such expansive terms as 'manufacture' and 'composition of matter,' modified by the comprehensive 'any,' Congress plainly contemplated that the patent laws would be given wide scope.").

Nor is there anything in the legislative history suggesting that software—or any other part of a special purpose machine—would be excluded from the definition of "component" or from the purview of the statute. To the contrary, the legislative history demonstrates Congress's intent to protect all patent owners by *completely* closing the "loophole" in section 271 recognized by *Deepsouth*. S. Rep. No. 98-663, at 2-3 (1984); 130 Cong. Rec. H28,069 (daily ed. Oct. 1, 1984). Congress emphasized that section 271(f) was needed to make the patent system "responsive to the challenges of a changing world." 130 Cong. Rec. H28,069.

b. Petitioner argues otherwise by mistakenly treating software as nothing more than "intangible information" or "design information." Pet. at 13-22. This is not a novel argument; it is one the courts have repeatedly rejected. *See,*

e.g., *Southwest Software*, 226 F.3d at 1283, 1288; *In re Alappat*, 33 F.3d at 1545 (citing *Diehr*, 450 U.S. at 187); *In re Lowry*, 32 F.3d at 1583; *In re Bernhart*, 417 F.2d 1395. Moreover, the software industry—including Microsoft—clearly understands that software is not "information." Information is "[t]he meaning of data as it is intended to be interpreted by people. Data consists of facts, which become information when they are seen in context and convey meaning to people. Computers process data without any understanding of what the data represents." Microsoft Computer Dictionary 271. Software, on the other hand, is "computer programs; instructions *that make hardware work*." *Id.* at 489 (emphasis added).

By contrast, instructions to people about how to manufacture a product (Pet. at 17-18, citing *Pellegrini*); the design information about a car (Pet. at 15); a mask for fabricating semiconductor circuits (Pet. at 21); and a tire's tread design (*id.*) are very different. The appropriate limiting principle in the statute is that the "component" is part "of [the] patented invention" being assembled. Petitioner's "examples" are not functional parts incorporated in devices being manufactured and are, therefore, irrelevant.

Petitioner's argument also cannot be reconciled with its admission to the district court that Microsoft would be liable under section 271(f) if it exported a separate disk containing the Windows software for each computer to be assembled overseas, rather than supplying a limited number of golden master versions. Pet. App. 36a n.7. Through that admission, Microsoft necessarily acknowledged both that software can be a component of a patented invention supplied from the United States under section 271(f), and that software is still a component when it is transferred from a disk to a computer hard drive to assemble the special purpose machine.

2. The Federal Circuit Properly Construed "Supplied" to Include the Supply of Software Abroad.

a. The Federal Circuit also properly construed the term "supplied" consistent with its ordinary, contemporary and common meaning. The ordinary meaning of "supply" is "[t]o make available for use; provide;" "[t]o furnish or equip with." American Heritage Dictionary 1222 (2d coll. ed. 1991). When it comes to the ordinary meaning of "supplying" software, this includes providing or furnishing the software *for installation on a computer*. *See, e.g., Micro Chem. Inc. v. Lextron Inc.*, 317 F.3d 1387, 1389 (Fed. Cir. 2003) (stating that defendant "supplies ... software" as part of computerized medical record systems); *Info. Comm. Corp. v. Unisys Corp.*, 181 F.3d 629, 631 (5th Cir. 1999) (explaining that as joint-creators of public-safety computer systems, plaintiff "created and supplied the software applications," while defendant supplied the computer hardware); *C.L. Maddox, Inc. v. Benham Group, Inc.*, 88 F.3d 592, 597 (8th Cir. 1996) (referring to an undependable computer system that had numerous deficiencies in the software "supplied by" a defendant). Even Petitioner's own patents use "supply" with this same meaning. U.S. Patent No. 5,548,759 col.3 ll.31-41 (filed Jan. 11, 1996) (explaining that a manufacturer "supplies software" on a disk for installing the application program on the computer); U.S. Patent No. 6,000,832 col.14 ll.45-49 (filed Sep. 24, 1997) (claiming as part of a method claim the step of "supplying" software code to the customer).

Although the replication of the accused Windows software occurs overseas, the courts have correctly recognized that the software is nevertheless supplied from the United States. The Windows software was designed, written, debugged, tested and manufactured entirely within the United States.

Microsoft stipulated that it exports those software components from the United States to foreign computer manufacturers with the intent that the manufacturers install an exact copy of the software onto foreign-assembled computers. Pet. App. 45a-45b. The very same zeros and ones created in the U.S. by Microsoft programmers are installed on the foreign computers. It is these zeros and ones that cause the foreign-assembled machines to practice AT&T's patented speech compression technology, just as with computers assembled in the U.S. In other words, the software that makes the computers "new and useful" was created domestically; it was not of foreign origin.[3] This is exactly the type of domestic activity Congress intended to cover when it enacted section 271(f).

b. Petitioner's reading of "supplied" would write the clause "in a manner that would infringe the patent if such combination occurred within the United States" out of the statute. That clause implements Congress's intent to treat the exportation of components the same as domestic "making" and "selling" of infringing devices. *See, e.g.*, S. Rep. No. 98-663, at 3 (1984) ("The bill simply amends the patent law so that when components are supplied for assembly abroad to circumvent a patent, *the situation will be treated the same* as when the invention is 'made' or 'sold' in the United States.") (emphasis added). Microsoft stipulated that it infringed the '580 patent in the United States, in part by supplying golden

---

[3] Judge Rader dissented below from the majority's construction of "supplied." In his view, copying is separate from supplying. But his dissent cannot be reconciled with the opinion he authored in *Eolas*, where the panel unanimously affirmed a judgment under section 271(f) on stipulated facts identical to those here (exporting golden masters of Windows software *with the intent that it be replicated abroad*).

masters to domestic computer manufacturers with the intent that they use the disks to assemble infringing computers. *See, e.g.*, Ct. App. JA 1671-72. But Petitioner argues that the very same assembly by foreign computer manufacturers should not be covered by section 271(f). In both instances Microsoft's conduct and intent are the same; the only difference is the location of the assembly. Petitioner is therefore asking this Court to treat golden masters sent to foreign OEMs *differently* from domestic golden masters, even though Microsoft intended that all golden masters be used to assemble AT&T's patented speech processor. Such a reading of the statute would violate the "cardinal principle of statutory construction" that each word should be given meaning. *Bennett v. Spear*, 520 U.S. 154, 173 (1997).

c. Microsoft's arguments about the meaning of "components" and "supplied" are undermined by its own prior successful arguments in at least two other contexts. First, in *Microsoft Corp. v. Commissioner*, 311 F.3d 1178 (9th Cir. 2002), Microsoft argued that it was entitled to tax deductions under 26 U.S.C. § 927(a)(2)(B) for all foreign sales of software replicated abroad from Microsoft's golden masters, claiming that such copies were "export property" under the statute. The Ninth Circuit, while recognizing that purely "intangible intellectual property" was not "export property," agreed with Microsoft that all copies created from the software embodied on the exported golden master were export property, thereby allowing Microsoft over $31 million in deductions for 1990 and 1991. *Id.* at 1182, 1185, 1189. Second, in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, 118 Stat. 1418 (2004), software is classified as a manufactured good. The bill was originally intended to protect more traditional manufacturing companies, but as a result of Microsoft's lobbying efforts, the definition of manufactured goods was expanded to include computer

software. A.B.A. Sec. Intellectual Property L., *A Section White Paper: Agenda for 21st Century Patent Reform* 52-55 (Sept. 16, 2005) (explaining the ABA Intellectual Property Law Section's opposition to the proposed repeal or amendment of section 271(f)) (hereinafter "ABA White Paper"). If computer software is deemed a manufactured good and export property and afforded the protections of a manufactured good and export property in other areas of the law, then it should not be considered an intangible item manufactured abroad for purposes of the patent law. *See id.* Such an interpretation would subvert the protections of U.S. patents.

The Federal Circuit's construction of section 271(f) is in complete harmony with long standing patent case law and the language and intent of Congress in enacting the statute. Microsoft's strained interpretations of "component" and "supplied," on the other hand, would create special treatment for software—another *Deepsouth* "loophole"—that would discriminate against owners of software-related inventions. Certiorari cannot be justified on this basis.

3. The Federal Circuit's Decision Does Not Expand the Extraterritorial Reach of U.S. Patent Laws.

Microsoft erroneously contends that the Federal Circuit's decision expands the extraterritorial reach of U.S. patent laws and subjects foreign manufacturers to the requirements of U.S. law. *See* Pet. at 22-29. To the contrary, the Federal Circuit appropriately focused on Microsoft's activities in the United States. The court affirmed the judgment of infringement under section 271(f) based on *Microsoft's* supply from the United States of the accused software, and *Microsoft's* intent that it be copied and combined with

computer hardware abroad. *See* Pet. App. 6a ("sending a single copy abroad with the intent that it be replicated invokes § 271(f) liability for those foreign-made copies"); *see also Eolas*, 399 F.3d at 1339. This is consistent with the statutory language ("Whoever without authority supplies or causes to be supplied in or from the United States . . . in such a manner as to actively induce the combination") and prior precedent. *See, e.g.*, 35 U.S.C. § 271(f)(1); *Waymark Corp. v. Porta Sys. Corp.*, 245 F.3d 1364, 1367-68 (Fed. Cir. 2001) (actual assembly of the infringing product is irrelevant to section 271(f) infringement; statute requires only intent by the supplier that the exported component(s) be combined) (Rader, J.). The statute was specifically intended to reach the activities of domestic suppliers, and it was properly applied below.

Petitioner's extraterritoriality argument is a red-herring. Years before the Federal Circuit decided *Eolas* or *AT&T*, the court defined the limits of section 271(f) in order to avoid "the appearance of 'giving extraterritorial effect to United States patent protection.'" *Waymark*, 245 F.3d at 1368 (quoting *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 17 (Fed. Cir. 1984)). Relying on the language and legislative history of the statute, the *Waymark* court held that liability does not require proof of an actual combination of the components abroad, but only a showing that the infringer shipped them from the United States with the intent that they be combined. *Id.* Thus, section 271(f) liability is not "predicated [on] acts wholly done in a foreign country" or on "efforts to practice a patent invention outside the territorial jurisdiction of the United States" (Pet. at 14), but on the *domestic* actor exporting the components abroad. *See id.* In both *Eolas* and this case, that domestic actor was Microsoft. It was Microsoft—not the foreign computer manufacturers—that wrote, compiled, tested, debugged, and

created the infringing software, and exported that software with the intent that it be installed on computers abroad in a manner that Microsoft admits infringes when done in the United States. The Federal Circuit appropriately applied the statute to those activities.

4. Congress Recently Rejected Proposals to Limit Section 271(f) as Petitioner Requests.

Recent legislative activity also suggests that the Federal Circuit properly construed and captured Congress's intent in section 271(f). Leading up to the introduction of the Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005), Congress considered proposals either to repeal section 271(f) or to amend it to limit its application only to "tangible" components that are "physically" combined with other "tangible" components. *See* Staff of H. Comm. on the Judiciary, 109th Cong., Patent Act of 2005 § 10 (Comm. Print 2005); *Patent Quality and Improvement: Hearing Before the Subcomm. on Courts, the Internet and Intellectual Property of the H. Comm. on the Judiciary*, 109th Cong. 23 (2005) (prepared statement of Richard J. Lutton, Jr., on behalf of the Business Software Alliance in support of repealing section 271(f)); *see also id.* at 143-44; ABA White Paper at 52-55. In considering those proposals, the lower courts' decisions in *AT&T* and *Eolas* were explicitly discussed. *See, e.g.*, *Patent Quality and Improvement Hearing* at 14, 23; ABA White Paper at 53. The proposals to repeal or limit section 271(f) were nevertheless rejected. *See* H.R. 2795. Congress's decision to leave the provision intact suggests that Congress has ratified the Federal Circuit's interpretation. *See Herman*, 459 U.S. at 385-86.

The Federal Circuit correctly construed section 271(f) consistent with its plain meaning, the legislative history and

binding patent-law precedent. The exercise of the Court's discretionary jurisdiction is accordingly unnecessary.

IV. The Judgment Below Is Also Based on Section 271(f)(2), an Alternate Ground That Petitioner Elected to Exclude from Its Questions Presented.

The judgment below was also based on section 271(f)(2), which Microsoft has not asked this Court to review. Microsoft's Petition should therefore also be denied because Microsoft presents an incomplete case for review. *See* Sup. Ct. R. 15.2 (requiring Respondent to raise objections to the questions presented).

AT&T alleged that Microsoft infringed under section 271(f), i.e., including both (f)(1) and (f)(2). *See* Pet. App. 24a, 25a-27a.[4] The district court entered judgment against

---

[4] Title 35 U.S.C. § 271(f) provides in its entirety:

> **§ 271. Infringement of patent.**
>
> **(1)** Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.
>
> (2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial

Microsoft, and the Federal Circuit affirmed the judgment, again under both 271(f)(1) and (f)(2). *See* Pet. App. 5a, 11a, 26a-27a, 38a, 42-43a, & 45a-47a. But in its Petition to this Court, Microsoft has presented questions only under section 271(f)(1), and has cited only section 271(f)(1) as the statutory provision involved. Supreme Court Rule 14.1(a) requires the petition to contain the "questions presented for review," in order to provide the respondent with sufficient notice and to assist the Court in "selecting the cases in which certiorari will be granted." *Yee v. Escondido*, 503 U.S. 519, 535-36 (1992). Although Microsoft included both (f)(1) and (f)(2) as part of the question presented and statutory provision involved in its petition in *Eolas*, Microsoft elected here to exclude (f)(2). Because Petitioner presents only questions under section 271(f)(1), and does not seek review of section 271(f)(2), section 271(f)(2) is an alternative ground for upholding the judgment below. *See, e.g.*, *Mills v. Rogers*, 457 U.S. 291, 305 (1982) ("review of one basis for a decision supported by another basis not subject to examination would represent 'an expression of abstract opinion'"); *see also Blum v. Bacon*, 457 U.S. 132, 137 n.5 (1982).

Nor can Petitioner claim that a question under section 271(f)(2) is "subsidiary" to and "fairly included" within its questions presented under section 271(f)(1). *See* Sup. Ct. R. 14.1(a). It only cites (f)(2) twice, once as a "see also" supporting cite (Pet. at 15) and once as providing a confirming use of the term "component" (Pet. at 17). In

---

noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

addition, although sections (f)(1) and (f)(2) both contain the term "component" and the clause "supplies or causes to be supplied," the two sections otherwise have materially different texts, and differ in their operation and effect. For example, section (f)(1) is directed to active inducement not implicated in section (f)(2); similarly, the components in (f)(2) are limited to those that are "especially made or especially adapted for use in the invention and not a staple article or commodity of commerce," a restriction not found in (f)(1). Because no 271(f)(2) issue is set out or fairly included in the Petition, there is a "heavy presumption against" the Court's consideration of any issue under that section. *See Izumi Seimitsu Kogyo Kabushiki Kaisha v. U.S. Phillips Corp.*, 510 U.S. 27, 32 (1993). By denying certiorari, the Court will avoid the dilemma of deciding whether to follow the presumption and thereby hear only a partial case, or to override the presumption and thus reach out to hear questions that have not been presented.

V. Petitioner Misstates the Impact of the Decision Below.

Microsoft tries to paint a doomsday picture for American software companies if the lower courts' interpretation of section 271(f) stands. Petitioner claims that section 271(f) will expose them to "crippling" liability and destroy their "right" to "compete with an American patent holder in foreign markets." Pet. at 11. Microsoft alleges that as a result these companies will move their research and development facilities outside of the United States. Pet. at 11-12. This is nothing more than alarmism posing as advocacy. The only way section 271(f) has any impact whatsoever on a defendant in the U.S. software industry—or any other industry for that matter—is if that defendant has misappropriated another's patented technology. Stripped of its rhetoric, the premise of Petitioner's policy argument is

therefore that American software companies can compete abroad only if they are permitted to expropriate and export another's patented innovations. This attitude not only is self-defeating, it is wrong. Congress's Constitutional authority is to protect the rights of U.S. inventors, not U.S. infringers. *See* U.S. Const. art. I, § 8.

Petitioner's repeated invocation of the "right of American companies to compete with an American patent holder in foreign markets" also rings hollow. *See, e.g.*, Pet. at 11 (quoting *Deepsouth*, 406 U.S. at 531). There can be no question that, in closing the "loophole" recognized by *Deepsouth*, Congress explicitly concluded that the right to compete with an American patent holder in foreign markets does *not* include the right to export components of the patent holder's invention for assembly abroad. 130 Cong. Rec. H28,069; S. Rep. No. 98-663, at 2-3. Furthermore, Petitioner's warnings about software manufacturing fleeing overseas are overblown. Pet. at 12. It is clear from the *Microsoft v. Commissioner* case and the American Jobs Creation Act of 2004 that Microsoft receives significant financial benefits for keeping its manufacturing in the United States. 311 F.3d at 1182; ABA White Paper at 55.

The range of inventions containing software or operating under software control is astounding: automobiles, telephones, televisions, refrigerators, washers, digital watches, and even new "smart goods" such as light switches, electrical outlets and shower faucets now rely on software for some portion of their operation. The variety of new computer-related products available to consumers is also impressive, including cell phones, handheld computers, digital video recorders, digital cameras and camcorders, vehicle navigation, and so forth. It is irrational to contend that Congress would have designed section 271(f) to exclude such

technology from the scope of the statute. To the contrary, the statute and legislative history make clear that Congress intended to reverse *Deepsouth* for all inventors, both as a matter of basic fairness and to stimulate all areas of the economy. Petitioner's strained interpretation of section 271(f) would undermine and harm American businesses, and should be rejected.

CONCLUSION

For the foregoing reasons, the Petition for writ of certiorari should be denied.

Respectfully submitted,

LAURA A. KASTER
AT&T CORP.
One AT&T Way
Bedminster, NJ 07921
(908) 532-1839

STEPHEN C. NEAL*
COOLEY GODWARD LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
(650) 843-5000

MICHAEL TRAYNOR
COOLEY GODWARD LLP
101 California Street
5th Floor
San Francisco, CA 94111
(415) 693-2000

JONATHAN G. GRAVES
NATHAN K. CUMMINGS
COOLEY GODWARD LLP
One Freedom Square
Reston Town Center
11951 Freedom Drive
Reston, VA 20190
(703) 456-8000

Counsel for Respondent

March 23, 2006

* Counsel of Record (Will be admitted on March 27, 2006)